



Company Performance Analysis Based On Financial Ratios Case Study At PT. Siantar Top, Tbk Period 2019-2023

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Abstract:

The purpose of this study is to analyze the financial statements of PT. Siantar Top Tbk. in order to measure financial performance during the period 2019 to 2022. Financial performance can be measured by calculating financial ratios. This study uses descriptive quantitative data analysis techniques. Information data is used from the Indonesia Stock Exchange (IDX) website transparently. Financial ratios are the most appropriate method for measuring financial performance using the Liquidity Ratio, Solvency Ratio, Activity Ratio and Profitability Ratio. These four financial ratios can produce numbers, from the results it can be assessed whether the company is experiencing good or bad financial conditions. After conducting research, it was found that the Company's condition based on the profitability ratio was not good. The company has not been able to maintain the company's profit level, even the profit percentage tends to decrease every year. The company's management needs to determine a strategy to strengthen the company's performance or its stock performance so that it continues to improve in the future, sales are increased by paying attention to product quality, expanding the distribution network and creating quality products, and paying attention to production cost efficiency so that it can create good profits.

Keywords: Company Performance, Financial Ratios

INTRODUCTION

Financial problems in a company are one of the vital problems in business development. Financial reports are a tool to obtain information about the company's financial position and the results of the business that have been achieved by the company. The information presented in the financial report can be used as management accountability to parties who need the information. The parties who have these interests

consist of internal companies, namely owners, employees, and external parties of the Company such as shareholders, investors, government, and even suppliers.

Financial report analysis is very necessary to be carried out so that important indicators related to the company's financial condition are available, so that the results can be used as a consideration tool in making financial decisions as well as describing the company's performance. Financial report analysis allows financial performance so that the company can find out the use of resources owned and know whether the company is growing, surviving or failing. To measure financial performance, financial report analysis requires a benchmark, namely the ratio, which connects one financial data with another. Financial ratios are an analysis technique commonly used for financial report analysis, which is done by comparing one item with another that can show changes in the Company's financial condition.(Falah, 2022).

Financial ratio analysis is the most frequently used analysis method because it is the quickest way to find out a company's financial performance. By knowing its performance, a company can make the right decisions to achieve its goals. Ratio calculations are usually used in financial statement analysis to evaluate current, present, and possible future financial conditions.(Destiani & Hendriyani, 2021). According to(Kasmir, 2019)Financial ratios used to measure the Company's performance consist of liquidity ratios, profitability, solvency and activity ratios. Furthermore, Kashmir According to(Kasmir, 2019)determine the industry standard ratio which is the benchmark for assessing the Company's performance as outlined in Table 1 below:

Table 1. Industry Standard Financial Ratios

Performance Ratio	Industry Standards
1. Liquidity ratio	
- Current ratio	>2
- Quick ratio	>1.5
- Cash Ratio	>0.5
2. Solvency ratio	
- Debt to total asset ratio	<1 Time
- Debt to equity ratio	< 1 time
3. Profitability ratio	
- Gross Profit Margin	>0.3
- Net Profit Margin	>0.2
- Return On Asset	>0.4
- Return On Equity	>0.3
4. Activity Ratio	
- Receivable Turnover	>2 times
- Inventory Turnover	>20 times
- Total Asset Turnover	>2 times

PT. Siantar Top Tbk, as one of the leading companies in Indonesia in the snack industry, is an interesting subject to analyze. Founded in 1972 in East Java with flagship products in the form of instant noodles, biscuits, and various types of snacks that have become part of the daily lives of Indonesian people and even abroad. Commercial operations of PT. Siantar Top, Tbk began in September 1989, then conducted an IPO in December 1996. In the last five years, many conditions have caused the rise and fall of profits and sales in various industrial sectors. For example, the Covid-19 pandemic and the Large-Scale Social Restrictions policy, as well as the late arrival of materials and physical distancing which affected the production process. There were also obstacles in shipping, both import and export, as well as an increase in the price of raw materials (including wheat) in 2022, due to the Russia-Ukraine war. Even when entering the 4th quarter (Q4) of 2023, market conditions began to sluggish. Sales were quiet both in the domestic and global markets. People's purchasing power also decreased. This is due to economic pressures at home and abroad which are still uncertain. (Suryadi, n.d.)

However, on the stock exchange from year to year, this company has developed into one of the main players in the national snack market. This can be seen from the increase in stock prices and the number of shares issued (see Figure 1). However, if a performance analysis is carried out based on financial reports, good conditions on the stock exchange do not necessarily reflect good conditions in financial ratios. Based on this background, researchers are interested in analyzing the financial performance of PT. Siantar Top, Tbk using financial ratios.



source <https://www.idnfinancials.com/id/sttp/pt-siantar-top-tbk#hints-bonds>

Figure 1. Movement of the number and price of shares of PT. Siantar Top, Tbk

2017 to 2024

RESEARCH METHODS

This research is a quantitative descriptive research. The quantitative descriptive method is a quantitative research whose description is in the form of numbers or numerics (statistics)(Tanjung & Mulyani, 2021). The purpose of descriptive research is to create a systematic, factual, and accurate description or picture of the facts, characteristics, and relationships between the phenomena being studied. The object of this research is the financial report of PT. Siantar Top, Tbk for the period 2019-2023. The data collected are quantitative and come from secondary data, especially financial reports available at www.idx.com. The data collection technique used in this study is documentation. This stage emphasizes the collection of information or data that is directly related to the problem being studied.

Data analysis is carried out by calculating the asset value in the financial report to obtain financial ratios, namely liquidity, profitability, solvency and activity ratios.

a. Liquidity Ratio

Liquidity ratio is one of many financial ratios and financial metrics that measure a company's ability to convert its assets into cash to meet short-term obligations. Liquidity ratios are analyzed based on the current ratio and quick ratio.

- 1) The current ratio is a ratio used to measure a company's ability to meet its short-term obligations that are due soon or to pay off its short-term debts using the total current assets available.

$$\text{Formula: Current Ratio (CR)} = \frac{\text{aset lancar}}{\text{utang lancar}}$$

- 2) Quick ratio is an indicator that measures a company's ability to meet its short-term obligations by using the most liquid assets that can be converted into cash quickly.

$$\text{Formula: Quick Ratio (QQ)} = \frac{\text{aset lancar} - \text{persediaan}}{\text{utang lancat}}$$

b. Solvency Ratio

Solvency ratio is the ability of a business to repay debts to creditors either in the short term or long term. Solvency is analyzed using the Debt to Total Asset Ratio (DAR) and Debt to Equity Ratio (DER).

- 3) DAR is a financial indicator used to measure the extent to which a company uses debt to finance its assets.

$$\text{Formula: Debt to Total Asset Ratio (DAR)} = \frac{\text{total utang}}{\text{total asset}}$$

- 4) DER is a financial ratio that compares the amount of debt with equity and the amount of receivables used for company operations must be in a proportional amount.

$$\text{Formula: Debt to Equity Ratio (DER)} = \frac{\text{total utang}}{\text{ekuitas pemegang saham}}$$

c. Profitability Ratio

Profitability ratio is a ratio used to calculate a company's ability to generate profits compared to profits, equity, assets and operating costs. Profitability ratio reflects how effectively a company uses its assets to generate profits for shareholders. A company's profitability can be seen from the Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Asset (ROA) and Return on Equity (ROE) values.

- 5) GPM is a financial ratio that measures a company's efficiency and profitability in generating gross profit from the sale of products or services.

$$\text{Formula: GPM} = \frac{\text{laba kotor}}{\text{penjualan bersih}}$$

- 6) NPM is a profitability ratio that states the profit from business operations as a percentage of net revenue or sales.

$$\text{Formula: Net Profit Margin (NPM)} = \frac{\text{laba bersih setelah pajak}}{\text{penjualan bersih}}$$

d. Activity Ratio

Activity ratio is to find out how efficient the Company is in managing the company's assets to obtain sales. Activity ratio is analyzed using the Receivable turnover ratio, Inventory Turnover, and Total asset turn over.

- 1) Receivable turnover is a ratio that shows how quickly receivables are collected. The higher the numbers produced, the better the management of receivables will be.

$$\text{Formula: } \text{Receivable Turnover} = \frac{\text{Penjualan}}{\text{Rata - Rata Piutang}}$$

- 2) Inventory Turnover is a ratio that shows how fast inventory turns over in a normal production cycle. The higher this ratio, the better because it is assumed that sales activities are running quickly.

$$\text{Formula: } \text{Inventory Turnover} = \frac{\text{Harga Pokok Penjualan}}{\text{Rata - Rata Persediaan}}$$

- 3) Total AssetturnoverThis ratio shows the effectiveness of the use of all company assets in order to generate sales or illustrates how many rupiah of net sales can be generated by each rupiah invested in the form of company assets. If the turnover is slow, this indicates that the assets owned are too large compared to the ability to sell.

Formula:

$$Total\ Asset\ Turnover = \frac{Penjualan}{Rata - Rata\ Aktiva}$$

RESULTS AND DISCUSSION

The results of the Company's performance analysis based on the established ratios are presented in Table 2 below:

Table 2. Financial Performance Condition of PT. Siantar Top Tbk
Period 2019-2023

Performance Ratio	2019	2020	2021	2022	2023	Average	Industry Standards	Company Conditions
1. Liquidity ratio								
- Current ratio	2.85	2.40	4.16	4.85	6.95	4.25	>2	Good
- Quick ratio	5.60	4.86	8.24	8.60	10.90	7.64	>1.5	Good
- Cash Ratio	0.25	0.23	0.43	0.45	0.55	0.38	>0.5	Not good
2. Solvency ratio								
- Debt to total asset ratio	0.32	0.25	0.28	0.26	0.12	0.25	<1 Time	Good
- Debt to equity ratio	0.35	0.29	0.33	0.31	0.13	0.28	< 1 time	Good
3. Profitability ratio								
- Gross Profit Margin	0.27	0.28	0.24	0.21	0.30	0.26	>0.3	Not good
- Net Profit Margin	0.14	0.16	0.14	0.13	0.19	0.15	>0.2	Not good
- Return On Asset	0.21	0.21	0.16	0.14	0.17	0.17	>0.4	Not good
- Return On Equity	0.23	0.24	0.19	0.16	0.19	0.20	>0.3	Not good

4. Activity Ratio								
- Receivable Turnover	6.83	7.48	8.25	9.60	9.28	8.39	>2 times	Good
- Inventory Turnover	431.30	467.81	540.85	657.51	561.35	531.76	>20 times	Good
- Total Asset Turnover	0.91	0.99	1.09	1.27	1.23	1.10	>2 times	Not good

Based on the calculation results presented in Table 2, the following interpretation of the financial performance conditions of PT. Siantar Top Tbk can be made:

1. Liquidity Ratio

Financial performance analysis based on liquidity ratio for PT. Siantar Top, Tbk for the period 2019-2023 is as follows:

- Current Ratio* (Current Ratio) is known to show a standard average of 4.245 times where this value is greater than the industry standard of 2 times. This shows that the Company is in good condition in terms of liquidity and the company's current assets can be used to meet its short-term obligations.
- Quick Ratio* (Quick Ratio) is known to show a standard average of 7.64 times where this value is greater than the industry standard of 1.5 times. This shows that the Company is in good condition in terms of liquidity and the company is able to meet current liabilities with current assets without involving the value of inventory owned.
- Cash Ratio* (Cash Ratio) is known to show a standard average of 0.38 times where this value is smaller than the industry standard of 0.5 times. This shows that in terms of liquidity based on the cash ratio the Company is not in good condition. This means that the cash and equivalents owned by the Company have not been able to be used to meet short-term obligations.

2. Solvency Ratio

Financial performance analysis based on solvency ratio for PT. Siantar Top, Tbk for the period 2019-2023 as follows:

- Total Debt to Equity Ratio* (Debt to Equity Ratio) is known to show a standard average of 0.245 times where this value is smaller than the industry standard of 1 time. This shows that the Company's condition in terms of solvency is good, the lower the DER value, the better the Company's condition. This means that the company's equity that is guaranteed for debt is also getting smaller.

- b. *Total Debt to Total Asset Ratio*(Debt to Total Assets Ratio) is known to show a standard average of 0.282 times where this value is smaller than the industry standard of 1 time. This shows that the Company's condition in terms of solvency is good, the lower the DAR value, the better the Company's condition. This means that the company's assets that are guaranteed for debt are also getting smaller.

3. Profitability Ratio

Financial performance analysis based on profitability ratios for PT. Siantar Top, Tbk for the period 2019-2023 is as follows:

- a. *GPM* is known to show an average standard of 26.02% where this value is below the industry standard of 30%. This shows that the Company's condition is not good because every 1 rupiah of gross sales only produces a profit of Rp0.26.
- b. *NPM* known to show an average standard of 15.15% where this value is below the industry standard of 20%. This shows that the Company's condition is not good because every 1 rupiah of net sales only generates a profit of Rp0.15.
- c. *ROA* known to show an average standard of 17.52% where this value is below the industry standard of 40%. This shows that the Company's condition is not good, the company has not been able to generate profits from the assets owned by the company because the greater the value of this ratio means the company is better at managing its assets to generate profits.
- d. *ROE* known to show an average standard of 20.04% where this value is below the industry standard of 30%. This indicates that the Company's condition is not good, the company has not been able to generate profits from the capital invested in total assets because the greater the value of this ratio means the company is better at managing the invested capital to generate profits or earnings.

4. Activity Ratio

Financial performance analysis based on activity ratio for PT. Siantar Top, Tbk for the period 2019-2023 as follows:

- a. *Total Asset Turnover* known to show an average standard of 1.102 times where this value is below the industry standard of 2 times. This indicates that the Company's condition is not good, the company is less able to utilize its assets efficiently because the greater the value of this ratio, the better it is for the company to use its assets and if the total assets turnover is lower, the worse the ability of all assets to create sales.
- b. *Receivable Turnover* is known to show an average standard of 8.29 times where this value is above the industry standard of 2 times. This shows that the Company's condition is good and is able to manage its receivables turnover well.

- c. *Inventory Turnover* known to show an average standard of 531.76 times where this value far exceeds the industry standard of 20 times. This shows that the Company's condition is good, the company is able to manage inventory turnover by making sales quickly and there is demand for existing inventory. If the inventory turnover value increases, the company's condition will be even better.

CONCLUSION AND SUGGESTIONS

The financial performance of PT. Siantar Top, Tbk for the period 2019-2023 can be concluded that in terms of liquidity, the company is considered good because the ratio value is above the industry standard for financial ratios. The company is in a liquid state, meaning that the company is considered capable of meeting financial obligations including short-term debts using assets or wealth owned by the company. However, the cash and cash equivalents owned by the Company have not been able to fully pay off its short-term liabilities. Based on the solvency ratio, the company is also in good condition because the ratio value is already at the industry standard for financial ratios. The assets and capital owned by the Company can be used for all short-term and long-term liabilities. In terms of the profitability ratio, the Company's condition is not good, where the profitability measurement ratios show values below the industry standard. The company has not been able to maintain the company's profit level, even the percentage of profit tends to decrease each year. The activity ratio tends to show good performance. The company is able to manage accounts receivable turnover and manage inventory well, but is still not optimal in managing the Company's assets.

Company management needs to establish a strategy to strengthen the company's performance or its stock performance so that it continues to improve in the future, sales are increased by paying attention to product quality, expanding distribution networks and creating quality products, and paying attention to production cost efficiency so that it can create good profits. In addition, cash ratio management also needs to be improved properly, where a cash ratio that is too small can cause the Company to have difficulty running its operational activities. Conversely, if the cash is too large, there are idle funds that should be used to finance other Company activities.

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